



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

DARLENE GREEN
Comptroller

DR. KENNETH M. STONE, CPA
Internal Audit Executive

Internal Audit Section

Carnahan Courthouse Building
1114 Market St., Room 642
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

November 5, 2010

Lori Birch, Chief Financial Officer
Urban League Metro St. Louis
3701 Grandel Square
St. Louis, MO 63108

RE: Urban League of Metro St. Louis (#2010-AHC10)

Dear Ms. Birch:

Enclosed is a report of the fiscal monitoring review of the Urban League of Metro St. Louis, a not-for-profit organization, for the period July 1, 2008 through February 28 2009. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Urban League of Metro St. Louis. Fieldwork was completed on July 27, 2010.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the Affordable Housing Commission (AHC) to provide fiscal monitoring to all federal grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Angela Morton Conley



CITY OF ST. LOUIS

AFFORDABLE HOUSING COMMISSION (AHC)

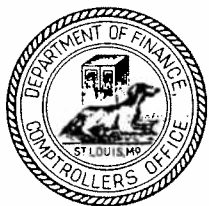
**URBAN LEAGUE OF METRO ST. LOUIS
CONTRACTS #34-07G AND 54-08G**

**FISCAL MONITORING REVIEW
JULY 1, 2008 THROUGH FEBRUARY 28, 2009**

PROJECT #2010-AHC10

DATE ISSUED: NOVEMBER 5, 2010

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
AFFORDABLE HOUSING COMMISSION (AHC)
URBAN LEAGUE OF METRO ST. LOUIS
FISCAL MONITORING REVIEW
JULY 1, 2008 THROUGH FEBRUARY 28, 2009**

TABLE OF CONTENTS

Description	Page(s)
INTRODUCTION	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	1
SUMMARY OF OBSERVATIONS	
Conclusion	2
Status of Prior Observations	2
Summary of Current Observations	2
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES	3-4

INTRODUCTION

Background

Contract Name: Urban League of Metro St. Louis

Contract Numbers: 34-07G
54-08G

Contract Periods: March 1, 2007 through August 31, 2008
March 1, through February 28, 2009

Contract Amounts: \$90,000 and \$63,000

The contracts provided funds from the Affordable Housing Commission (AHC) to the Urban League of Metro St. Louis (Agency) to assist households at or below 20% of the St. Louis area median income. Funds from contract 34-07G were used to help eliminate lead in St. Louis City's older homes and funds from contract 54-08G were used to reduce the incidence of homelessness and disruption of utility service among low income people.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local AHC requirements for the period July 1, 2008 through February 28, 2009, and make recommendations for improvements, as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by AHC. Evidence was tested supporting the reports the Agency submitted to AHC and other procedures were performed, as considered necessary.

Exit Conference

An exit conference was conducted at the Agency on October 26, 2010. The Agency was represented at the exit conference by Lori Burch, CFO and Janelle James, Reports Manager. Affordable Housing Commission was represented by Kathleen Lunnemann. The Internal Audit Section was represented by Dorothy Middleton Auditor II and Craig Frazier auditor-in-charge.

Management's Responses

Management's responses to the observations and recommendations identified in the draft report were received from the Agency on October 28, 2010. These responses have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with local AHC requirements.

Status of Prior Observations

There were no prior observations in the AHC01 report, issued on September 7, 2005.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented, could assist the Agency in fully complying with local AHC requirements.

1. Opportunity to establish controls in determining client eligibility (unallowable cost: \$2,501.37)
2. Opportunity to submit timely reports

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity To Establish Controls In Determining Client Eligibility (Unallowable Cost: \$2,501.37)

During the review, the eligibility of the clients served was analyzed. Contract 54-08G provides rental, mortgage and utility assistance for low income people in the City of St. Louis. Internal Audit Section tested 25 of the Agency's clients and found that six clients did not meet the income requirement, resulting in \$2,501.37 of unallowable cost.

The special conditions of the contract (Section 27) require all clients receiving funds under the program must be at or below 20% of median St. Louis area household income. The Agency's standard of providing aid to clients was based on current financial situation. Therefore, year to date income was not considered in determining annual income.

As a result, the Agency did not comply with the provision of the contract. A total of \$2,501.37 was not expended in accordance contract 54-08G. The contract states if the Agency fails to comply with Section 27, AHC may demand, and the Agency must agree, to repay funds that were not spent for the benefit of the households described in the contract.

Recommendations

It is recommended that the Agency implement controls to ensure compliance with the contract provision. The Agency should consider prior earnings in determining eligibility. It is also recommended that the Agency discuss the unallowable costs of \$2,501.37 with AHC to determine if costs should be reimbursed to AHC.

Management's Responses

In the cases identified above, the clients were unemployed and therefore their current income was below the required 20% AMI, however the auditor used wages from the previous job to calculate income. Due to the changing economic environment, some clients will be above the income requirement for the preceding 12 months, however may have recently become unemployed and their current situation has changed, giving rise to the need for assistance. The League calculates their income for the 12 months going forward and does not include wages that are no longer available. Given the increase in unemployed workers, the League respectfully requests that the Commission review their current guidelines and consider current situations rather than focusing on past income.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

2. Opportunity To Submit Timely Reports

A review was performed to determine whether financial and programmatic reports were submitted timely as required by the contracts. It was noted that:

- The quarterly reports under contract 54-08G were not submitted for June 2008. Also, financial and programmatic reports for September and December were not submitted timely. These reports were 17 and 4 days late, respectively.
- The quarterly report for June 2008 under contract 34-07G was not submitted.

The contract required the Agency to submit various reports as well as other information and data, as required by AHC. Programmatic and financial reports were to be submitted on the 20th day of the month after the quarter ends.

Agency stated that the quarterly reports due on June 20, 2008 for contract 54-08G were not submitted because of low activity. The September and December reports were submitted late because of staffing issues. Work started near the end of the 34-07G contract period; therefore, only one invoice was filed to encompass total spending for the period. Also, because the amount that was spent in May 2008 was immaterial to the total contract, a quarterly report was not filed.

The Agency was not in compliance with the contract requirements for submitting quarterly reports. As a result, AHC had delayed information on whether funds are being utilized properly and whether grant goals were achieved.

Recommendations

It is recommended that the Agency implement control procedures to ensure that quarterly reports are submitted timely in accordance with the contracts.

Management's Responses

The Urban League understands the need to provide reports in a timely manner. Recently, the League has hired a new Director of Financial Reporting to ensure that reports are completed timely and correctly.